

WHITEPAPER

Empowering procurement professionals through digital transformation

What does effective spend management look like in 2024?





Introduction

Procurement is the strategic purchasing of goods and services. But the responsibilities and opportunities for this function are so much more than that. Often coined as the “no” team, there is a common misconception that procurement professionals can be self-serving. However, when acting in alignment with an organisation’s strategic objectives, the procurement function can reduce risk, save money, and grow revenue.

Their activities have a direct impact on a company’s bottom line, and therefore, when done well, can help with achieving key commercial goals. When things go wrong in this space, there can be significant financial, operational, and reputational repercussions. This is why it is essential businesses invest in digital transformation (if they’re to drive the most cost-effective outcomes within their procurement function).

Procurement professionals across all sectors face similar challenges related to the role they fulfil. This includes managing supplier relationships, negotiating purchasing deals, and managing governance/compliance. Given the volatile economic climate we find ourselves in, there’s an even greater expectation on them to assist with elements like protecting margins and controlling expenditure.

However, the nature of these responsibilities may vary depending on the type of organisation they work for and the industry they sit within. Procurement teams in the public sector, for example, must adhere to a different set of regulations, especially with the new Procurement Act taking effect in October 2024. It’s imperative local authorities (and other public sector bodies) strive for transparency when handling the public purse, making this data accessible for all.

While in the private sector, procurement professionals assist with enhancing strategic planning/forecasting and enabling profitability. Regardless of sector, all organisations are now facing challenges around sustainability, supply chain disruptions, and the cost-of-doing-business crisis.



Time to transform

Digital transformation is already well underway for many private and public sector organisations in the UK. The economic environment in 2024 may drive many to reevaluate their spending in order to deal with recessionary pressures and upcoming regulations such as the Procurement Act. Healthy cashflow will be high on the priority list in this regard.

Our [Finance and Procurement Trends Report](#) highlighted that business growth is the number one priority for 48% of procurement teams. This suggests they view attack as the best form of defence. If the organisation is growing and in a healthy position, it is better placed to deal with the turbulence that comes with inflation and a stuttering economy.

Digitisation is the key to achieving this type of growth with confidence, setting procurement teams up for success in the present and future. While procurement processes may have traditionally been managed in spreadsheets or disconnected systems, these can soon become unwieldy as the volume of data increases, making it more difficult to access, locate, and consolidate the information you need.

Other teams working in different departments may complicate this data further by introducing their own versions of spreadsheets, created with their own priorities in mind. This makes it even more difficult to integrate data and use it to gain meaningful insights. Spreadsheet-based information may also contain small errors which can lead to incorrect conclusions being drawn. Decisions based on inaccuracies could prove very costly, potentially even jeopardising some customer and supplier relationships.

Using technology to automate many stages of the procurement journey helps to eradicate these mistakes, creating greater transparency and enabling better accountability. Having a single version of the truth across the whole organisation is particularly important for businesses that operate across multiple sites, for local authorities with many departments, and for teams working in newly merged combined authority bodies.

Without the real time data facilitated by Cloud-based solutions, businesses can run into all sorts of operational problems related to excess inventory, outdated stock, shortages, delivery delays, idle machines, and slow order fulfilment. In short, effective procurement processes led by technology can protect the bottom line, drive greater ROI, increase profits, and help ensure a sustainable business model.

The UK government's 'Transforming for a digital future: 2022-2025' roadmap is well underway for all services in central government. It aims to improve customer-centric policies, improve efficiency & security, and deliver a digital experience that is "as good as the best online experience in the private sector" for all of its users, from citizens to civil servants and central government bodies. Although not specifically designed for local government and devolved administrations, its underlying message applies to both the public sector and private sector with the goal being to exceed expectations, in this case the public's, and deliver modern, efficient, and purposeful services that support the end user. Indeed, the government's ambitions translate into the private sector. These changes will drive improved value for money, faster working practices, smarter working, and subsequently the attraction of the best talent available.



Key challenges for procurement in 2024

The challenges faced by procurement teams are heavily related to the tasks they must complete, but they're also often intrinsically linked to events occurring in the wider world. Here are some of the key hurdles they'll need to overcome this year to be successful:

Poor macroeconomic conditions

Procurement teams must navigate the impact of a UK recession on supply chains, supplier stability, and pricing dynamics. As a result, they're tasked with identifying cost-saving opportunities, reassessing supplier relationships, and implementing strategies to mitigate the effects of an economic downturn on their procurement operations. Steering through this type of challenge requires agility, strategic planning, and a proactive approach from procurement professionals to ensure business continuity and resilience.

Rising supplier costs

Rising inflation adds another dimension to the procurement function's financial obligations, ensuring they must manage costs effectively while maintaining high quality products/services. This can impact pricing negotiations with suppliers and requires a forward-thinking approach to planning and budgeting to counteract the effects of expensive materials.

Talent shortages

Procurement is generally facing a talent shortage too. The demand for skilled professionals, equipped with expertise in digital procurement technologies, strategic sourcing, and supplier management, is outpacing the available talent pool. Addressing this challenge will require proactive talent development, recruitment strategies, and investment in training programmes to bridge the skills gap and build a capable workforce.

Continued supply chain constraints

There's also a pressure on this business function to enhance the resilience of their supply chain. A series of disruptive global events in recent years, including Brexit, the pandemic, and geopolitical tensions, have heightened the critical need to build an agile network. Organisations are focusing on risk assessment, diversification of suppliers, and the adoption of digital tools to fortify their supply chain against future shocks to the system.

Sustainability

The continued emphasis on sustainability underscores the importance of environmentally conscious sourcing, ethical supply chain practices, and the integration of sustainable procurement metrics into organisational objectives.

Governance and risk

Procurement professionals are confronted with the imperative to uphold rigorous compliance standards, mitigate operational risks, and navigate the nuances of regulatory frameworks. Ensuring transparency, ethical conduct, and adherence to legal requirements are paramount in establishing a robust governance strategy. The identification and management of risks associated with supplier relationships, market volatility, and geopolitical uncertainties demand dedicated measures to safeguard organisational interests.



“Digital procurement, led by data-driven decision-making and technological progress, is undergoing a rapid transformation. Reliable spend data goes beyond cost reduction. It enables organisations to define clear objectives, while empowering procurement leaders to forge strategic relationships and build a sustainable business.”

Mark Reddy, Global Director of Growth, Spend & Governance at OneAdvanced



Emerging trends

While it's essential procurement professionals are aware of the key challenges faced in their line of work, it's also hugely important they keep up with the latest trends, as this can unveil customer expectations, competitor capabilities, and emerging technologies.

One of the most prominent trends in 2024 is automation. Procurement teams are challenged with the need to streamline their entire operation. This requires them to optimise various stages (such as sourcing and purchasing) so that they can improve efficiency and reduce operational costs. An increased pressure to achieve streamlined processes is driving a demand for technologies that can transform traditional methods.

The migration towards Cloud-based procurement solutions is accelerating too, enabling companies to achieve scalability and flexibility while optimising cost management and data storage. Embracing Cloud technology is essential for enhancing cybersecurity as well as data accessibility for remote workers.

The ongoing pursuit of innovation, spanning from strategic sourcing to supplier relationship management, is another key trend shaping the industry. Innovative approaches, emerging technologies, and collaborative partnerships are essential for driving sustainable value creation across the whole supply chain. And this must be a continuous endeavour if it is to garner results that are both positive and long-term.

On top of this, data has emerged as an increasingly pivotal resource for those in procurement, empowering them to leverage insightful analytics that inform decisions linked to supplier performance evaluation and risk assessment.

Poor communication between procurement teams and suppliers has been a persistent issue. It can lead to misunderstandings, disputes, and strained relationships, therefore impacting the overall operation. Leaders are recognising the need for improved communication strategies and transparent collaboration in order to mitigate this.

Those within this function interface with more customer groups than any other area of the business, from internal and external procurement users, suppliers, and non-procurement users, through to local residents in the case of the public sector. By focusing on each individual customer journey and reducing friction, procurement teams can elevate their supplier relationship management into an enhanced procurement customer experience (PCX).



The cost of doing nothing

There are of course many reasons why leaders might delay the digital transformation of their spend management function. It may appear to be a daunting or overwhelming endeavour to begin with, especially for those in procurement who are often too busy fighting fires to assess long-term strategies. However, frequently checking the vitals and laying the right foundations are key for future growth, success, and longevity. After all, you can't measure what you can't see. Here are some of the problems organisations may face if they don't press ahead:

Operational inefficiency

Employees may struggle with operational inefficiencies stemming from manual processes, time-consuming paperwork, and siloed data management. This can lead to delays in procurement cycles, increased administrative overhead, and an inability to respond swiftly to changing market demands.

Missed cost savings

Failing to embrace digitisation could result in missed opportunities for cost savings too. Sophisticated procurement technologies offer insights into spending patterns, supplier performance, and market trends, enabling informed decision-making and identifying areas for strategic sourcing. Without these tools, procurement teams may overlook crucial optimisation avenues.

Limited strategic input

Digital transformation empowers procurement teams with actionable data and analytics, enabling them to influence business strategy with real time insights. Without this capability, teams may rely on outdated or incomplete information, hindering their ability to negotiate favourable contracts or identify dynamic supplier risks.

Reduced agility and resilience

In the absence of adequate systems, spend management processes may lack the agility and resilience needed to respond to unforeseen disruptions. Rapid changes in market conditions, supply chain disruptions, or regulatory requirements could catch untransformed companies off guard, leading to reactive (rather than proactive) responses.

Outdated supplier and contract management

Procurement functions that fail to utilise digital tools may struggle to build and maintain strong supplier relationships, potentially leading to suboptimal terms and limited access to forward-thinking suppliers. The entire lifecycle of contracts demands meticulous oversight and control, so without the assistance of innovative tools, the complexity of modern business contracts may become overwhelming.

Zero competitive advantage

In a digital-first business environment, companies that fail to adapt to pioneering procurement practices risk falling behind competitors who leverage technology to drive efficiency and cost-effectiveness. This could hinder their ability to differentiate themselves in the marketplace and deliver value to customers.



Benefits of harnessing technology

Procurement leads who make a case for digital-first and implement a dedicated transformation strategy can expect to enjoy the following benefits:

Improved visibility around spending

Technology empowers procurement teams with enhanced spend visibility, allowing them to track monetary outgoing across their entire supplier network. This awareness helps them to remove unnecessary expenditure, negotiate better terms, and ultimately contribute to improved financial management.

Streamlined processes

It serves as a catalyst for boosting performance within procurement processes. Automation, digital workflows, and insight-driven changes can reduce manual intervention and boost overall productivity, ensuring employees operate at peak efficiency.

Better collaboration

Digital transformation facilitates improved communication and collaboration with suppliers and can even enhance the onboarding of new suppliers. Platforms such as supplier portals and analytics tools enable seamless interaction, performance tracking, and real time information exchange, encouraging stronger, more collaborative supplier relationships.

Standardised workflow

Smart solutions play a pivotal role in standardising procurement workflows and enforcing adherence to internal policies/best practices, which in itself creates an environment of consistency, transparency, and better risk control.

Compliance enforcement

It also then becomes much easier to maintain compliance with external regulatory frameworks and promotes good governance across the entire procurement lifecycle. When using software that has built-in regulatory considerations, this serves as a safety net for organisations so that compliance becomes second nature.

Scalability

By harnessing technology, procurement teams can allocate resources effectively in line with business growth, so that they have a robust foundation in place for sustainable expansion.



How can businesses prepare for their transformation journey?

Embarking on a procurement transformation journey is an exciting step towards driving efficiency, innovation, and value within your organisation. As UK businesses look to navigate this path, it's crucial to approach the journey with a clear strategy, an understanding of the potential challenges, and a focus on the ultimate goals of your efforts. Here's how to prepare for a successful journey:

1. Define your vision and objectives

Start by establishing a clear vision of what procurement transformation means for your organisation. What are your key objectives? Are you aiming to improve cost efficiency, enhance supplier relationships, implement sustainable practices, or all of the above? Defining your goals will not only provide direction but also help in measuring success along the way.

2. Assess your current procurement maturity

Understanding where you stand currently in the procurement maturity model is essential. Conduct a thorough assessment of your existing processes, technology, and capabilities. Identify areas of strength and pinpoint gaps where improvements are necessary. This baseline assessment will serve as a guide for your transformation roadmap.

3. Engage stakeholders early on

Procurement transformation affects various parts of the organisation. Engaging stakeholders from different departments early in the process helps to ensure their buy-in. It's important to communicate the benefits of the transformation clearly and how it aligns with the broader business objectives. Their insights can also provide valuable perspectives on potential impact and improvement areas.

4. Embrace technology and innovation

As we've touched upon, technology plays a pivotal role in modernising procurement processes. From e-procurement systems to advanced analytics and AI, embracing software solutions can significantly enhance efficiency and decision-making. Evaluate different options that align with your objectives and consider their scalability, integration capabilities, and user-friendliness.

5. Focus on skills development and change management

The success of a procurement transformation doesn't solely rely on processes and technology but also on the people behind them. Invest in training and development to equip your team with the necessary skills for the future. Additionally, effective change management practices are critical to address resistance and ensure a smooth transition. Communicate openly about the changes, provide support, and celebrate milestones to foster a positive culture around the transformation.

6. Implement sustainable and ethical practices

In today's world, procurement isn't just about cost savings, it's also about making ethical and sustainable choices. Incorporate sustainability criteria into your procurement policies and work with suppliers who share these values. This not only enhances your brand reputation but also contributes to long-term environmental, social, and governance (ESG) targets.

7. Monitor progress and adapt

Finally, set up mechanisms to regularly monitor progress against your objectives. Be prepared to adapt your strategies based on performance data and feedback. Continuous improvement should be at the heart of your procurement transformation journey.



The OneAdvanced solution

When seeking to move from legacy software and on-site servers to a purpose-designed digital solution, organisations should seek to partner with a provider that is able to uphold strong relationships with businesses that are living and breathing procurement challenges everyday. They should also consider providers carefully, selecting one who has a long and successful track record in the procurement space, such as OneAdvanced with our Spend Management solution, made up of Sourcing Management, Supplier & Contract Management, and Purchasing functionalities.

The digital solutions checklist

Procurement professionals seeking to implement digital transformation should look for solutions that can:

- ✓ Elevate their function to become a core element of the overall business strategy.
- ✓ Automate processes, reduce repetitive admin, and minimise errors.
- ✓ Enable clear policies and procedures, with automated workflows that ensure adherence to best practices.
- ✓ Provide access to crucial data for analysis and true data-driven decisions.
- ✓ Offer trends data for insights into market changes, inflationary pressures, supply chain issues, and competitor changes.
- ✓ Provide greater visibility and accountability, making it easy to produce reports quickly and inform stakeholders.
- ✓ Streamline contract management, enabling more regular reviews and updates.
- ✓ Facilitate engagement with suppliers and customers, helping to create stronger relationships.
- ✓ Address rogue spending with automated workflows to keep everyone on track with approved purchasing processes.
- ✓ Drive greater collaboration across the whole team and business.



One of the elements that can cause concerns for organisations with tech adoption is the prospect of Cloud migration. It can feel easier to stick with what you know when facing a significant change. In some cases, leaders may not be aware of the shortcomings in their existing solutions, and it isn't until something goes wrong that they feel forced to act. Proactively seeking a more effective and efficient solution can mean they stay one step ahead of problems such as cybersecurity threats and operational limitations. By moving to a flexible, Cloud-based solution, organisations can become an employer of choice.

To help overcome barriers to Cloud migration, look for platforms that are pre-loaded with ready to use processes and scalable functionality that fits with your business now and into the future. Choose a system that has templates, documents, and configured artifacts, as these significantly reduce the time and effort required for implementation. You ideally want a seamless implementation process that requires only a few basic activities to get started, ensuring your company can swiftly embark on its digital procurement journey.

Your provider should be a long-term digital partner and have the highest standards of procurement expertise. For example, they should already be working with other procurement professionals to develop processes and solutions that add real world value and effectiveness. This ensures users will benefit from the latest industry best practices as well as standardisation guided by other industry experts. This partner should almost serve as a consultant, revealing areas in your spend function that require the most immediate support.

“Strategic sourcing? Sure, it can be challenging. But with the right tools and powerful tech by your side, strategic sourcing becomes smarter, faster, and ultimately better”.

Mark Reddy, Global Director of Growth, Spend & Governance at OneAdvanced.



Powering the world of work

OneAdvanced is a leading provider of sector-focused software, headquartered in Birmingham, UK. Our mission is to power the world of work through software that effortlessly gets the job done for our customers giving them the freedom to focus on thriving for their customers and people.

Customers trust OneAdvanced to deliver digitalisation through innovative technology, addressing business problems through intelligent insight. Our years of sector knowledge means we are a strategic partner to our customers, who use technology that touches the lives of millions of people every day. From caring for patients in the NHS and social care to meeting tenants housing needs; supporting learners in education and apprenticeships to navigating complex legal matters; and making sure goods get to their destination on time navigating complex supply chains.

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